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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 002803

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SUBJECT: DFM NOMAN DEPRESSED OVER RISING CORRUPTION IN YEMEN

Classified By: Ambassador Thomas C. Krajewski for reasons 1.5 b. and d.

11. (C) Summary: In a candid and wide ranging discussion on November 2, Deputy Foreign Minister Mustafa Noman advised Pol/Econ Chief and Deputy that Post should convey to high-level ROYG officials the perils of corruption. Noman advised the Embassy to communicate to journalists and businessmen more about Yemen's scores on the Millennium Challenge Account, and underscore the USG's commitment to avoiding political choices and sticking to the indicators. Noman offered insights into the recent failure of the economic reform package and noted Parliament's frustration over progress by the government to address serious concerns about where the ROYG's budget is spent. End Summary.

MCA: "Tell Them How Bad We Are"

12. (C) Noman called in Pol/Econ Chief and Deputy to discuss Yemen's Millennium Challenge Cooperation (MCC) threshold status. Noting that Yemen's MCC scores are qat chew talk, he said that the journalists are questioning the U.S commitment to stick to the indicators. In response to Pol/Econ Deputy affirming that the indicators are solid, Noman interjected "tell them (the government) how bad we are doing." Noman explained that several Presidential advisors focus on Yemen's positive scores in Economic Freedom. According to Noman, the real message that Yemen is failing in the "Governing Justly" category and that corruption is rising is not reaching President Saleh. Noman said the Embassy in Washington began discussions with the Mongolians to understand how they were able to qualify for MCC and said the ROYG is looking for best practices. Noman urged Post to brief journalists and businessmen on MCA qualification and what reforms the ROYG needs to take to qualify.

"Corruption is the New Value"

13. (C) Turning to corruption, Noman took note of Transparency International's new corruption index, where Yemen now ranks 112 out of 145 countries and said, "I'm depressed." Characterizing corruption as spreading like "fire," Noman said, "corruption is the new value." Pointing to three million dollar houses, Noman commented that some people question a persons' intelligence if he works for the government and does not boast houses and a wealthy lifestyle. Jalal Yaqoub at the Ministry of Planning told Pol/Econ Deputy that when the TPI scores came out, many in the Yemen government were actually pleased and believed the new scores more accurately reflect the situation.

14. (C) Noman raised a critical letter to President Saleh that appeared briefly on the website "Allaf" (NFI) in Saudi Arabia from a Saudi businessmen complaining about tendering procedures in Yemen. The letter described his attempt to secure a contract with a governor in Yemen, who asked for a 40 percent cut of the project's profit. Noman said that the letter was on the website at four pm on November 1, but taken off that same evening when he checked again.

Reform failed Because Government
Placed Whole Burden On Poor

15. (C) Noman said he believes economic reform failed because the government did not explain to Parliamentarians what they were going to do with the money and placed the burden of reform on the poor. Saying "everyone knows we have to cut the subsidy," Noman reported that Parliamentarians complain that the Government was not taking commensurate cut backs on the reform package. Noman noted real worries about the impact of the diesel subsidy reduction on Yemen's poor, but said Ba Jammal focused only on the economic benefits of diesel subsidy reduction and not where the money saved would be going or what the government itself was doing to reform. Noman said he was confident the reductions and economic reform would eventually pass and that Yemen faced a "hard deadline" on economic reform.

16. (C) On the long-delayed tenders, Sofan said "yes everyone

thinks Siemens will win" the power contract, but Parliament will likely call corruption and make it the new Block 53, referring to Parliament's investigation into a corruption scandal.

17. (C) Comment: Once again, DFM Noman proved to be one of posts' most candid and pro-reform ROYG interlocutors. Noman mentioned that he had been in his job at the Ministry for a year and signs of his frustration are evident. Yemen's new corruption scores are likely more reflective of the current state of affairs in Yemen. Post is looking into ways to work with G-8 colleagues to create a consistent message (and perhaps a common plan) that the ROYG must deal with corruption in the coming years or risk Yemen's democratic and economic progress. End comment.
KRAJESKI